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February 26, 2009

Chairwoman Mary Schapiro
Securities and Exchange Commission
100 F Street, NE
Washington, DC 20549-1090

Reference: SEC Request for Comment, File Number S7-27-08, *Roadmap for the Potential Use of Financial Statements Prepared in Accordance With International Financial Reporting Standards by U.S. Issuers*

Dear Chairwoman Schapiro:

The Group of North American Insurance Enterprises (GNAIE) consists of leading insurance companies including life insurers, property and casualty insurers, and reinsurers. GNAIE members include companies who are the largest global providers of insurance and substantial multi-national corporations. All our members have substantial operations in the U.S.

We are writing to comment on File Number S7-27-08, *Roadmap for the Potential Use of Financial Statements Prepared in Accordance With International Financial Reporting Standards by U.S. Issuers* (Roadmap).

We support the development of robust, high-quality, globally accepted accounting standards. However, in reaching this goal the quality and completeness of the standards, the consistency with which they are adopted and enforced, the impact of their implementation, and the process for development, maintenance and enforcement of the standards all remain open critical issues.

The Roadmap says that it does not address the precise method by which IFRS would be required of U.S. issuers; *Roadmap*, pg 48 fn 90. Without such a description, however, it is very difficult to assess the balance of due process afforded U.S. constituents in the creation and maintenance of IFRS. For instance, will the SEC create a new endorsement mechanism, retain a de facto (e.g. "no action") endorsement, or create an adoption where the SEC has no discretion? This important question and many others related to implementation remain unanswered without an understanding of the specific adoption mechanism.

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Please find following our responses to specific questions in the Proposal.

1. Do commenters agree that U.S. investors, U.S. issuers and U.S. markets would benefit from the development and use of a single set of globally accepted accounting standards? Why or why not? What are commenters' views on the potential for IFRS as issued by the IASB as the single set of globally accepted accounting standards?

Our organizations support the development of robust, high-quality, globally accepted accounting standards. Similar issuers should be subject to similar accounting and disclosures on a worldwide basis to maintain a level playing field in global competition and promote the efficient allocation of capital. Despite this laudable goal, the quality and completeness of the standards, the consistency with which they are adopted and enforced, the impact of their implementation, and the process for development, maintenance and enforcement of the standards all remain critical issues.

As an issue of basic fairness, global accounting standards deserve a multilateral process of development and maintenance. The IASB is a widely known and widely accepted body writing such standards. That said, there are serious concerns about the completeness of the standards, the process by which the IASB is governed and funded, and how to address potentially conflicting needs for standards that are globally consistent and at the same time make allowances for differing needs around the world.

2. Do commenters agree that the milestones and considerations described in Section III.A. of this release ("Milestones to be Achieved Leading to the Use of IFRS by U.S. Issuers") comprise a framework through which the Commission can effectively evaluate whether IFRS financial statements should be used by U.S. issuers in their filings with the Commission? Are any of the proposed milestones not relevant to the Commission's evaluation? Are there any other milestones that the Commission should consider?

We agree that there are issues that need to be resolved before IFRS are adopted as the sole standard for U.S. filers. Section III.A. attempts to be a thorough description of the issues, but it is an incomplete description of the necessary milestones. We are concerned that determining the accomplishment of the milestones will be too subjective.

Missing from the milestones is consideration of the effects of inconsistent enforcement of the proper use of IFRS in preparing financial statements. The U.S. has great success in generating capital in part because there are rigorous standards *and* those standards are enforced consistently. A requirement to file solely in IFRS in the U.S. will exacerbate the advantage that companies operating in jurisdictions with lax enforcement enjoy, because the statements will *appear* to be similar. Some assurance and discussion of how the SEC will ensure consistent and comparable application of IFRS by non-US filers is needed in the Roadmap.

Also needed is a thorough assessment of how well IFRS, a fully principles based accounting standard, would operate in conjunction with the significantly varying global legal and regulatory systems. Is the greatly increased judgment and discretion afforded by IFRS compatible with, for instance, the U.S. business environment? Or, would enforcement and adjudication decisions in various jurisdictions become the new de facto rules? What changes might need to be made to prevent this, and are they in the best interests of investors and the public?

An example of legal and regulatory variations is the issue raised in Question 56. The U.S. legal environment holds preparers potentially liable for the accuracy of their financial statements. However, IFRS 7 requires disclosure of sensitivity tests that by their nature use forward-looking information. We believe that extending the protection for forward-looking information required by IFRS to be part of the statements is consistent with the intent of the “safe-harbor” provision. Issues such as this one should be resolved before IFRS is adopted.

The FASB and IASB need to successfully conclude the major convergence projects prior to the commencement of the requirement that all U.S. issuers file in IFRS. There should be a moratorium on planned major changes to IFRS in the period of phased implementation. This would allow preparers, auditors and vendors to plan and execute the transition to IFRS without it being a moving target.

The SEC should assess the impact of the transition to IFRS on the regulations and operations of the U.S. Internal Revenue Service as part of the milestones. There are important references to U.S. GAAP (implied and explicit) in various tax codes and guidance, and either changes or additional guidance may be necessary.

3. Do commenters agree with the timing presented by the milestones? Why or why not? In particular, do commenters agree that the Commission should make a determination in 2011 whether to require use of IFRS by U.S. issuers? Should the Commission make a determination earlier or later than 2011? Are there any other timing considerations that the Commission should take into account?

The decision regarding whether to require IFRS from all filers, and when to do so should not be taken any earlier than 2011, in order to allow the SEC time to assess progress on the milestones and other important issues. The 2011 date will:

- allow the SEC to determine how to address important areas such as:
 - ensuring consistent global adoption of the standards;
 - ensuring consistent enforcement globally of the standards, and;
 - determining the regulatory or statutory method by which IFRS will be required;
- permit the IASCF to make the structural changes necessary including:

- funding arrangements that promote independence;
- fundamentally improving due process by committing to cost/benefit analysis and field testing;
- implementing a multilateral oversight mechanism, such as the “Monitoring Board”;
- allow the FASB and IASB to conclude convergence on critical projects;
- permit academic and professional institutions and vendors to determine the necessary timeline to train the preparer, auditing, and analyst communities and re-tool systems.

The Commission must then have the discretion to postpone the decision or change the timeline to fit the circumstances. The general economic environment and any statutory or regulatory changes made in response to the current credit crisis should factor into the Commission’s decision.

The proposed 2011 assessment date will force the academic and professional institutions into accelerating preparations, possibly reducing their cost.

4. What are commenters’ views on the mandated use of IFRS by U.S. issuers beginning in 2014, on an either staged-transition or non-staged transition basis? Should the date for mandated use be earlier or later? If the Commission requires the use of IFRS, should it do so on a staged or sequenced basis? If a staged or sequenced basis would be appropriate, what are commenters’ views on the types of U.S. issuers that should first be subject to a requirement to file IFRS financial statements and those that should come later in time? Should any sequenced transition be based on the existing definitions of large accelerated filer and accelerated filer? Should the time period between stages be longer than one year, such as two or three years?

If the SEC is to require two years of prior-year comparable IFRS financial statements upon adoption of IFRS for all filers, then the time span between the Commission’s final decision in 2011 and 2014 is inadequate, even if implementation is phased. In order to allow for an adequate and successful transition to IFRS, there should be a minimum of two full years between the Commission’s final decision to require IFRS from all filers and the opening IFRS balance sheet date (January 1, 2012 under the Roadmap). In other words, if the decision to require IFRS from all filers is made sometime in 2011 and two prior year comparable IFRS financial statements are required, then the first year of filing should be for 2016 with the 2014 and 2015 prior years presented under IFRS. Insufficient time for implementation will raise costs and increase uncertainty in the auditing processes and reduce user confidence.

As an alternative, requiring fewer years of prior year comparable financial statements will reduce the time needed between the Commission’s final decision regarding IFRS and the first year of filing. For instance the EU required one year of prior-year IFRS financial statements and the SEC required one year

from Foreign Private Issuers upon adoption of IFRS. Other countries, such as Canada will require one year when IFRS is required from its filers.

Otherwise, the date chosen must be dependant on successful achievement of the milestones.

Implementation should be phased. Every element of the financial reporting system will need time to adapt, including the users and regulators. Phased implementation will allow training and resource allocation to occur at a practical pace. The current proposal to phase in based on “large accelerated filer” and “accelerated filer” is as good as any. We agree it is better to use a known and understood definition already used for a similar purpose. If the experience with implementation of the Sarbanes-Oxley Act is any indication, the one-year time period for the stages is probably too short, and will need to be flexible.

Once the milestones are completed and a timeline for required adoption is established companies wishing to adopt early should be permitted to do so regardless of the phased implementation schedule.

5. What do commenters believe would be the effect on convergence if the Commission were to follow the proposed Roadmap or allow certain U.S. issuers to use IFRS as proposed?

Once a date certain has been determined, there is clearly less of an incentive to continue efforts to debate and resolve remaining differences between existing accounting standards (i.e. the convergence process between IFRS and US GAAP may effectively end). Yet convergence is a key to the success of the Roadmap in achieving adoption of IFRS as the sole standard for filing in the U.S.

The continuing role (if any) of the FASB post-adoption is a significant question left open in the Roadmap, and it is difficult to come to a conclusion on the post-adoption due process without more detail in this area. The fact that today the U.S. represents the single largest jurisdiction not using IFRS gives the FASB and SEC weight in discussions with the IASB that may not survive adoption of IFRS. The SEC should consider if it needs mechanisms to maintain at least the degree of influence over the direction of IFRS that it and the FASB have today.

6. Is it appropriate to exclude investment companies and other regulated entities filing or furnishing reports with the Commission from the scope of this Roadmap? Should any Roadmap to move to IFRS include these entities within its scope? Should these considerations be a part of the Roadmap? Are there other classes of issuers that should be excluded from present consideration and be addressed separately?

A carve out for investment companies and other regulated entities would appear to be in conflict with the primary goals and benefits of requiring IFRS from all filers. A more complete rationale for the carve out would help.

7. Do commenters agree that these matters would affect market participants in the United States as described above? What other matters may affect market participants? Are there other market participants that would be affected by the use by U.S. issuers of IFRS in their Commission filings? If so, who are they and how would they be affected?

The European Union is in the midst of considering questions of mutual recognition for access to exchanges and regulation. EU action in this regard, and the potential effects on market access should be considered in the decision whether to adopt IFRS, as well as other actions the SEC takes with regard to regulations and standards.

The National Association of Insurance Commissioners (NAIC) publishes statutory accounting principles ("US SAP") for use by insurance companies in their filings with state regulators. However, many of the basic tenets of US SAP are rooted in U.S. GAAP. A decision to require IFRS from U.S. issuers will require the NAIC to assess whether IFRS is an appropriate basis for statutory filings. IF the NAIC determines that IFRS is not an appropriate basis, AND the SEC/FASB cease publishing and maintaining U.S. GAAP, the NAIC could be adversely impacted. Primary in the NAIC's decision whether to accept IFRS as a potential accounting basis will be successful completion of an insurance contracts standard appropriate for U.S. business. The SEC should create and maintain contact with the NAIC and other regulators to assess progress as part of the milestones.

In addition, there are many non-public entities that use U.S. GAAP standards for various purposes, including reporting to owners and regulators. Some assessment of the impact on such market participants is necessary to prevent undue economic and regulatory disruptions.

The Commission should add software and systems vendors to the list of stakeholders who need to prepare for a conversion to IFRS, and measure their preparation accordingly.

9. What are commenters' views on the IASB's and FASB's joint work plan? Does the work plan serve to promote a single set of high-quality globally accepted accounting standards? Why or why not?

The joint convergence effort has progressed with some success. Four key areas, Revenue Recognition, Financial Statement Presentation, Conceptual Framework and Insurance Contracts, if brought to a successful conclusion, should constitute meaningful progress towards similar high-quality standards. We are concerned that the work plan focuses on the date of required completion as opposed to providing the time necessary to develop complete, high quality, well-tested standards. Convergence of critical projects should be a prerequisite of requiring IFRS from all U.S. filers. However, convergence should be undertaken in such a way as to guarantee superior results.

10. How will the Commission's expectation of progress on the IASB's and FASB's joint work plan impact U.S. investors, U.S. issuers, and U.S. markets? What steps should be taken to promote further progress by the two standard setters?

Continued efforts towards convergence are critical. The more IFRS and US GAAP converge, and differences between them become less material, the more natural and less burdensome the adoption process will be. The SEC should continue to require progress in the convergence between US GAAP and IFRS before action is taken to adopt IFRS as the sole standard for filing in the U.S. Greater resources, particularly those that would enable quantitative research projects, may speed the efforts of the two boards to resolve disagreements between and among themselves.

11. The current phase of the IASB's and FASB's joint work plan is scheduled to end in 2011. How should the Commission measure the IASB's and FASB's progress on a going-forward basis? What factors should the Commission evaluate in assessing the IASB's and the FASB's work under the joint work plan?

The SEC in determining a plan and timetable for the adoption of IFRS should look at the IASB's standard setting process and determine if the results are appropriate for use in filing in the U.S. and can be implemented without too much time and expense. In the interim U.S. GAAP needs to be maintained and improved, and further convergence with IFRS will lessen the eventual burden of adoption. The FASB is in the best position to assist the IASB in crafting converged standards appropriate for U.S. businesses.

12. What are investors', U.S. issuers', and other market participants' views on the resolution of the IASB governance and funding issues identified in this release?

a. Funding

The funding mechanism proposed by the IASCF in the current round of the Constitutional Review appears adequate to promote the necessary independence of the IASB. However, any decision by the SEC to recognize the standards of a private standard setting body as "generally accepted" in the United States needs to comply with Sections 108 and 109 of the Sarbanes-Oxley Act of 2002. It is not clear that the IASB meets those requirements or on what other basis IFRS would be accepted or required.

b. Public Accountability

We have commented in a joint letter and at a public roundtable to the proposal by the IASCF to establish a "Monitoring Board". Having reviewed the Memorandum of Understanding between said board and the IASCF (recently adopted by the IASCF), we remain concerned that more is necessary if the Monitoring Board is to fulfill a role that assists the SEC and other jurisdictions in their due process

obligations, or to alleviate the pressures that will lead to divergence of the adopted standards and their enforcement.

Many jurisdictions (like the EU) may desire or be required to specifically review accounting standards before they can be adopted as requirements in their jurisdictions. Due process and the discretion to vary the standards may attach to that requirement. Despite the desire of many for full independence of the accounting standard setting process, this is simply a Constitutional fact in many jurisdictions.

Some form of multilateral organization may be necessary to: collectivize the varying endorsement processes; establish and determine compliance with standards of enforcement; establish mechanisms and criteria for mutual recognition; and facilitate information sharing and colleges of supervisors. Such a body could then: actively lessen divergence in the implementation of the standards; be empowered to bestow the benefits of mutual recognition as an incentive for compliance; and provide a forum for addressing the issues of varying enforcement, which have not, so far, been addressed. The information sharing and colleges of supervisors part might as well be done while everyone is in the same room.

c. Due Process

The standards established by the FASB and the IASB directly affect trillions of dollars of economic activity annually. Compliance with those standards, while a necessary cost, is a burden to the economy in the billions of dollars annually. Section III.A.1 of the Roadmap proposes the required elements of the standard setting process; *Roadmap*, pgs. 22-3. We strongly feel that critical elements are missing from the description: namely, there needs to be a specific framework for assessing the benefits of proposed standards in relation to additional costs.

The practicability and cost/benefit of a standard needs to be thoroughly analyzed prior to its adoption. The current, self-imposed cost/benefit requirements of the IASB appear to be addressed by boilerplate assertions, with little in the way of substantiation. The costs and benefits of a proposal should be specifically compared to the costs and benefits of the available alternatives. This should be done quantitatively where possible.

In addition, the need for comprehensive field-testing of proposed standards should be a rebuttable presumption, rather than rarely undertaken at the discretion of the standard setter. Testing should occur both in the development of the standard to compare alternatives and upon completion of the standard to prove its costs and benefits. Field-testing potentially serves important functions other than proof of the proposal. For instance, comprehensive testing of the application FAS 157 or 159 to complex instruments might have revealed their sensitivity to illiquid market conditions, better alerting preparers to the market risk exposure inherent in the transition to market price accounting.

There should also be a post-implementation process to assess whether each new standard is operating as intended, including whether the costs and benefits of implementation and on-going operation are consistent with expectations.

There is a colorable argument that these requirements would create a high hurdle for the standard setting process, and are difficult to implement. However, they are no more difficult or complex than the financial analysis required of sophisticated preparers every cycle in their compliance with those standards.

13. What steps should the Commission and others take in order to determine whether U.S. investors, U.S. issuers, and other market participants are ready to transition to IFRS? How should the Commission measure the progress of U.S. investors, U.S. issuers, and other market participants in this area? What specific factors should the Commission consider?

The resources and personnel required (systems programming, internal and external audit, reworking of internal controls, regulatory review, etc.) pose a significant hurdle for the adoption of IFRS, particularly in light of current economic conditions. Whether necessary qualified people exist or can be trained in the required timeframe should be of significant concern to the Commission. The phased adoption with possible early adoption proposed in the Roadmap may be a practical way to enable the affected parties to develop staff, systems, and other resources by the time they will be needed, and it would allow the Commission to adjust or suspend the timetables based on the results of the earlier phases.

This is a critical area, and the Commission should monitor carefully to ensure that any transition to IFRS does not create degradation in the quality of financial reporting and analysis, or unjustified expense for the period of the transition.

At this time, only a date certain for adoption would push market-based preparation. The preparer, auditing and investor communities will want some assurance that resources expended to prepare for IFRS will not be wasted. However, for the reasons discussed above it is too early to establish a date certain. This argues for a flexible Roadmap timetable with realistic expectations as to the resources companies and investors will expend prior to a decision to adopt. It also argues for continued efforts towards convergence that will lessen the eventual burden of adoption.

In this way the Roadmap is structured appropriately: certain prerequisites are enumerated, during the time they are satisfied convergence is pursued, and at a date in the future, an assessment is made as to whether to commit to requiring IFRS from all filers in a specified time frame. Key to a successful, efficient transition is the SEC maintaining the discretion to vary the timeline depending on the circumstances.

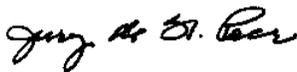
14. Are there any other significant issues the Commission should evaluate in assessing whether IFRS is sufficiently comprehensive?

IFRS are incomplete without standards for valuing insurance liabilities. IFRS 4 is a temporary standard that, for the most part, provides that insurance companies continue their pre-IFRS accounting for insurance contracts. Therefore it does not address a need for a consistent global standard. Successful completion of the joint IASB/FASB project on accounting for insurance contracts, resulting in standards appropriate for the U.S. insurance business, should be a requirement of the Roadmap. The other areas of development and convergence identified in the Roadmap (i.e. Revenue Recognition and Financial Statement Presentation) are critical as well.

It is important that standards adopted, such as those for disclosure of contingent liabilities, recognize the legal and business realities in the U.S. as well as those of other jurisdictions. There may be a limit as to the specificity that can be achieved in global standards, given the significant divergence in business risks posed by varying legal environments.

As always we appreciate the opportunity to comment on these important proposals. Please direct any inquiries regarding our comments to doug.barnert@gnaie.net.

Sincerely,

A handwritten signature in black ink, appearing to read "Jerry de St. Paer". The signature is written in a cursive, flowing style.

Jerry de St. Paer
Executive Chairman
Group of North American Insurance Enterprises